



Transit Driving Economic Growth 2011 Pre-Budget Submission

Presented to:
House of Commons
Standing Committee on Finance

by:
The Canadian Urban Transit Association

Executive Summary

2011 Federal Pre-Budget Submission from the Canadian Urban Transit Association

The Canadian Urban Transit Association (CUTA) is the national association representing public transit systems, suppliers to the industry, government agencies, individuals and related organizations in Canada. CUTA has been recognized as “The collective voice of public transit in Canada” since 1904.

Its mission is to strengthen public transit's contribution to the quality of life, environment, health, mobility and economic development of Canadian communities, and to help members fulfill their mandates.

Investing in transit can be part of a broader strategy to improve Canada's productivity, by addressing the wasteful and economically damaging impacts of congestion, and by creating urban environments that support the evolving economic role of our cities. At a time when employment growth is increasingly concentrated in knowledge-based sectors, creating thriving urban environments will be a central part of Canada's competitive advantage.

In this context, and as part of the Finance Committee's pre-budget consultations, CUTA thanks the Government of Canada for the opportunity to provide the following recommendations for consideration by the Minister of Finance in the development of the 2012 federal budget.

CUTA 2011 Pre-Budget Recommendations:

- Recommendation 1:** **The Federal Government should develop a Canadian transit policy framework, as part of the 2011 Budget commitment to establish a long-term infrastructure plan.**
- Recommendation 2:** **The Federal Government should give tax-exempt status to employer-provided transit benefits. This would complement the current federal tax credit for transit pass purchases and encourage employers to financially support transit commuters.**
- Recommendation 3:** **There is a need for permanent, stable, and predictable funding, dedicated to public transit. Recognizing challenging fiscal environments, there are a number of different ways to accomplish this, moving forward. One way is to dedicate an additional cent of the excise tax to the Gas Tax Fund specifically to transit capital investment. This would represent a stable and predictable investment of about \$400 million annually, and would be supplementary to existing transit allocations.**

Transit a Key Driver of Economic Success

As the House of Commons Standing Committee on Finance examines the policy mix that will deliver economic growth under very real budget constraints, the federal role for investing in public transit must be central to the debate.

The challenge for policy makers is that, while spending constraints are real, transit is a key economic driver for the Canadian economy and has very tangible impacts on our economic competitiveness. Failing to maintain investments in public transit will hurt the economy.

Investing in transit can be part of a broader strategy to improve Canada's productivity, by addressing the wasteful and economically damaging impacts of congestion, and by creating urban environments that support the evolving economic role of our cities. At a time when employment growth is increasingly concentrated in knowledge-based sectors, creating thriving urban environments will be a central part of Canada's competitive advantage.

In September 2010, CUTA released a report entitled, *Economic Impact of Transit Investment in Canada*. The report highlights the impressive economic return for investment in transit. In fact the cost benefit ratio of transit investment is well in excess of two to one (2:1).

Transit economic highlights include:

- The economic benefit of Canada's existing transit systems is at least \$11.5 billion annually.
- The transit industry directly employs 45,300 Canadians and indirectly creates an additional 24,300 jobs.
- Transit reduces vehicle operating costs for Canadian households by about \$5 billion annually.
- Transit reduces the economic costs of traffic collisions by almost \$2.5 billion annually.
- Transit reduces annual greenhouse gas emissions by 2.4 million tonnes, valued at \$110 million.

Public transit contributes to Canada's economic strength at numerous levels:

National benefits. The Canadian transit industry generates jobs, income and wealth for the country's economy. Capital intensive transit systems generate employment in construction, professional services, research and development, and other areas of the economy. Canada is a major producer and exporter of transit equipment, so a high proportion of transit investment remains in Canada and creates spin-off employment in manufacturing and related industries.

Local benefits. Public transit boosts the productivity and economic efficiency of cities by letting them function smoothly, encouraging more compact development, and enabling the better use of scarce resources including land, energy and financial capital. Public transit helps to reduce smog and congestion, and also improves access to the labour pool for employers in large and small communities alike.

The impact of public transit on the economy is not just recognized by transit organizations. As one example, a recent study released by the Toronto Board of Trade revealed that traffic congestion costs the Greater Toronto Area \$6 billion annually in lost productivity. For the Greater Montreal Area, it is \$1.4 billion annually that is lost due to gridlock. Imagine the economic growth that could be created if governments came together to eliminate this economic waste.

Development of a Canadian Transit Policy Framework

CUTA was very pleased with the government's commitment to work towards the development of a long-term plan for public infrastructure that extends beyond the expiry of the Building Canada plan, as announced in the most recent federal budget. CUTA offers its full support for this process and expects public transit to represent a strong component of this plan.

To maximize the impact of this long-term infrastructure plan, and to ensure sustainable development of our communities for decades to come, it would be important to address public transit as a most strategic element that requires specific attention. This exercise is taking place at a critical time where the importance of renewing our aging infrastructure has never been so obvious. Transit capital requirements are growing faster than investments and critical infrastructure needs remain unfunded. This is why decision-makers must have public transit in mind when developing and designing the infrastructure and communities of tomorrow.

With an overarching and sustainable strategy for infrastructure investment, it will make it easier for local and regional authorities to develop long-term plans and offer high quality public transit for Canadians wherever they live. It is critical that all orders of government work together to make this happen. Public transit contributes heavily to improving our communities by fostering economic development, reducing greenhouse gas emissions, and enhancing the quality of life of all Canadians. The implementation of this budget measure will pave the way for increased, predictable, and sustainable public transit investments in Canada.

Recommendation 1: The Federal Government should develop a Canadian transit policy framework, as part of the 2011 Budget commitment to establish a long-term infrastructure plan.

Tax-Exempt Transit Benefits

Offering incentives for transit use that are targeted to reduce the pressure on our roads and mitigate traffic congestion during peak periods is an important component of building efficient and effective cities and communities. This measure would positively complement the current federal tax credit for transit pass purchases and build on the program's success. In addition, it would play a key role in encouraging employers to financially support transit commuters.

For more than a decade, CUTA has pursued a recommendation for tax-exempt status for employer-provided transit benefits. Through such a move, employers would be encouraged to offer their employees a choice between parking and transit benefits, thereby leveling the playing field and making transit a much more attractive and affordable option for the journey to work. Additionally, it would encourage businesses to locate in areas with quality transit service.

According to some studies, it is estimated that this new fiscal measure could cost the federal government nearly \$100 million per year in forgone revenues following a five-year implementation period. To reach that level, the tax measure would need to prove very efficient in increasing ridership. Indeed, in a memorandum prepared by the Tax Policy Branch of the Department of Finance in 2004, the government assessed the measure would cost somewhere between \$40 million and \$115 million annually. According to the memorandum, it was projected at that time that \$115 million in forgone revenues would represent an increase in ridership of 18%. Since this measure specifically targets the journey to work and the peak hours when traffic congestion is at its highest, that level of increase in ridership would have a tangible effect on

easing traffic congestion. Considering the 2006 census data on the means of transportation used for the daily commute to work, we estimate this fiscal measure could reach somewhere between 1.7 to 2 million Canadians.

By implementing federal tax incentives for individuals to use public transit, more and more Canadians would choose a mode of transportation that benefits the environment, the economy, and healthy living.

Recommendation 2: The Federal Government should give tax-exempt status to employer-provided transit benefits. This would complement the current federal tax credit for transit pass purchases and encourage employers to financially support transit commuters.

Balanced Investment in Transit Infrastructure

Canadian leaders at all levels are recognizing the economic return on transit investment. As an example, in September 2010, Prime Minister Stephen Harper commented on this very point, underlining that "improvements to public transit have a real long-term positive economic impact." Indeed, according to the Prime Minister, "of all the solutions, public transit is the best. It is one area where smart infrastructure investments can make a big difference."

Furthermore, an increasing number of provinces and municipalities are strengthening their commitment to public transit, with British Columbia (Provincial Transit Plan), Alberta (GreenTRIP), Ontario (Move Ontario 2020) and Quebec (Cadre financier du transport en commun) as prime examples. But public transit is an area that cannot be sustained by one order of government alone – a fact underscored by the multi-jurisdictional approach adopted in recent years.

In reviewing CUTA's recommendations to the committee, it is important for members to recognize that making long-term investments in communities will keep Canada growing. Improving the efficiency of public transit has a real, long-term and positive economic impact.

Transit investment is an excellent policy lever to achieve a sustained economic recovery in Canada with quality sustainable jobs.

Recommendation 3: There is a need for permanent, stable, and predictable funding, dedicated to public transit. Recognizing challenging fiscal environments, there are a number of different ways to accomplish this, moving forward. One way is to dedicate an additional cent of the excise tax to the Gas Tax Fund specifically to transit capital investment. This would represent a stable and predictable investment of about \$400 million annually, and would be supplementary to existing transit allocations.

Conclusion - Public Demand for Transit at Record Levels

The economic case for transit has never been clearer. The Canadian population is choosing transit at unprecedented levels, as more and more people understand the importance of their travel choice in improving the demands of work, quality of life, reducing emissions and easing traffic congestion. Federal leadership must keep pace with the public.

Canadians are increasingly choosing public transit as their preferred mode of transportation in conducting their daily activities. Ridership across Canada showed very strong growth in 2010, with an increase of 4.1% nationally over the previous year. This represents an all-time record with 1.9 billion trips taken in communities of all sizes. Indeed, it is worth noting that the increases were spread across the country in communities large and small, with many of Canada's smaller communities showing remarkable growth.

An April 2011 Harris Decima survey conducted on behalf of CUTA revealed that the majority of Canadians do not think governments have put enough emphasis on transit infrastructure. The majority of Canadians (60%) say they are “deeply concerned that governments have not made public transit infrastructure the priority it needs to be”.

Additionally, a majority of those surveyed believe it is important or very important to have access to public transit in their community, yet only 29% believe the federal government is doing enough to support public transit infrastructure.

Other polls demonstrate that 92 percent of urban Canadians think that public transit makes their community a better place to live, and 73 percent feel that transit benefits them personally. It is clear that the public has made the move to support and use public transit. The Federal Government must listen to the rising demand and continue to demonstrate economic leadership with transit.

Considering that transit ridership is at an all time high, these findings cannot be ignored.